

MINUTES OF THE MEETING
INDIANA HEALTH AND EDUCATIONAL FACILITY FINANCING AUTHORITY

December 14, 2005

MEMBERS PRESENT: David Shane, Chair; Lance Rhodes; William Lister; Sue Scholer; Kenneth Metzger; and Kelly Borrer.

ALSO PRESENT: Lynda Hanna, John Pease, and Bob Kocher, JP Morgan; Brenda Horn, Kristin McClellan, Susan Price, and Todd Ponder, Ice Miller; John Meade, Hall Render; Curt Fritsch, CRF Financial Group; Richard Speller, DePauw University; Michael Brown, CitiGroup; Alan Nelson, Clarian Hospital; Amy Kosnoff, Baker & Daniels; Kendra York, Hall Render; David Johnson and Brian Stemme, BioCrossroads; Rachelle Lore; Amy Corsaro; and Dan Kramer.

The Chairman welcomed those in attendance, recognized the presence of a quorum and called the meeting to order at 11:00 a.m. on December 14, 2005, in Suite 900, One North Capitol, Indianapolis, Indiana, pursuant to notice thereof.

The Chairman asked for approval of the Minutes of the November 16, 2005 meeting of the Indiana Health and Educational Facility Financing Authority. Thereupon, upon motion made by Ms. Borrer and seconded by Ms. Scholer, it was unanimously:

RESOLVED, the Minutes of the November 16, 2005, meeting of the Indiana Health and Educational Facility Financing Authority are hereby approved and the Executive Director is instructed to execute same and to place same in the Minute Book as the Minutes of the November 16, 2005, Meeting of the Indiana Health and Educational Facility Financing Authority.

Mr. Shane then checked with the board in regards to the acceptability of the scheduled January 25, 2006 meeting, all were agreeable to that date. It was suggested that Mr. Kramer create a calendar listing the dates of all the scheduled 2006 meetings.

Mr. Shane then asked for the Executive Director's Report.

EXECUTIVE DIRECTOR'S REPORT

A copy of the Executive Director's Report is attached hereto as Exhibit A.

The Executive Director began his report by informing members that the American Eagle LifeCare transaction closed on December 2, 2005 and the Trinity Health Corporation transaction closed on November 17, 2005.

The Executive Director continued with the next item on the agenda, the Final Resolution for DePauw University in an amount not to exceed \$90,000,000. The Executive Director introduced Todd Ponder from Ice Miller and Richard Speller, Vice President of Finance for DePauw University.

Mr. Ponder began by informing members that nothing substantive has changed since the last meeting. The Bond will refund the currently outstanding 2002 and 2003 Bonds in the amounts of \$50,000,000 and \$10,500,000 respectively. The remaining portion of the Bonds, approximately \$20,000,000, will finance construction of additions and renovations to the Performing Arts Center, and to finance construction and renovation of two residence halls and other renovations. Mr. Ponder pointed out that although the requested amount is not to exceed \$90,000,000, the actual amount financed will probably be \$85,000,000 or just under that amount. They have selected MBIA to be the Bond Insurer; the Trustee and Auction Agent will be Wells Fargo Bank. The Bonds will be sold in two series and are expected to mature in 2036. The planned closing date is January 11, 2006.

Mr. Ponder then asked if there were any questions, there were none.

Thereupon, upon motion made by Mr. Metzger and seconded by Mr. Lister, it was unanimously:

RESOLVED, the Final Resolution Authorizing the Issuance of the Indiana Health and Educational Facility Financing Authority Educational Facilities Revenue Bonds, Series 2006A and Series 2006B (DePauw University Project), in the aggregate principal amount not to exceed \$90,000,000 and Approving and Authorizing other actions with respect thereto be and hereby is approved.

Ms. Scholer abstained from voting.

A copy of the resolution is attached hereto as Exhibit B.

The Executive Director continued his report with the next item on the agenda, the Final Resolution regarding Clarian Health Obligated Group in an amount not to exceed \$360,000,000. Due to timing issues, there will be no Preliminary Resolution; this will be the Final Resolution. The Executive Director then introduced Brenda Horn of Ice Miller, Alan Nelson of Clarian Hospitals, and Mike Brown of Citigroup.

Ms. Horn informed Members that this issue will be a fixed rate bond issue, and as rates are creeping up they would like to get this transaction accomplished early in 2006. The bonds will be sold on their credit due to the limited time available to obtain bond insurance which will thereby save Clarian the costs of purchasing insurance. They have built a cushion into their requested amount, as they may be asked to supply a debt service reserve fund and fixed rate bonds are often sold at a discount. There will be three major projects funded with the requested money. With this, Ms. Horn passed the floor to Mr. Nelson.

Mr. Nelson began by informing Members that the first project to be funded with this bond issue would be Phase 5 of the Riley Hospital project. Riley is one of the leading children's hospitals in the country, \$96,000,000 will be used to bring the hospital into the 21st century, changing all of the rooms from semi-private to private. The second major portion of the project is for the IU Cancer Hospital; \$88,000,000 will be used to add on a four story building with 80 new cancer patient beds. The third major portion of the funds will go toward Goshen General Hospital, it is currently too small to fill the needs of the community, and they are currently turning away patients. They will double the size of the current Emergency Room and try to improve patient flow. The balance of the funds will be used for various small renovations and routine repair work at various facilities.

Ms. Horn interjected that the proposed schedule is to have a public hearing the first week of January and to begin marketing the Bonds by the 13th of January, to close by the end of January. This schedule will make it difficult to conform to the IHEFFA Board Meeting schedule and be able to have both a Preliminary and a Final Resolution in time for the planned schedule. Ms. Horn then asked if there were any questions.

Mr. Lister asked if there was a legal need to have two meetings, to which Ms. Corsaro replied that we are not legally required to have two meetings, it was just a preference carried over from the previous board. Ms. Horn interjected that Clarian was not intending to set a precedent in only appearing before the board once; it was a question of timing and keeping issuance cost at a minimum. Finishing the transaction as quickly as possible would help keep the interest rate at a minimum, and would reduce fees for not only legal counsel but also accounting fees.

Mr. Rhodes requested that the minutes reflect Clarian's one appearance before the Authority not be construed as the norm, but rather an exception.

Mr. Shane then asked for clarification on the fourth element of the project, to which Mr. Nelson replied that this amount included \$30,000,000 in minor construction, and the remaining amount would finance capital equipment replacement (which had been budgeted at \$40,000,000 per year over a period of 3 years) and the debt reserve fund, if required.

Thereupon, upon motion made by Ms. Borrer and seconded by Mr. Metzger, it was unanimously:

RESOLVED, the Final Resolution Authorizing the Issuance of the Indiana Health and Educational Facility Financing Authority Hospital Revenue Bonds, Series 2006A (Clarian Health Obligated Group) in the principal amount not to exceed \$360,000,000 and Approving and Authorizing other actions with respect thereto to be and hereby is approved.

Mr. Shane abstained from voting.

A copy of the resolution is attached hereto as Exhibit C.

The Executive Director continued his report by informing Members that included in their packet was a revised and black lined Investment Policy document. The main reason for the revisions was to broaden the scope allowed for investments to include investments with longer terms and little or no liquidity to insure the investment in the Indiana Seed Fund I is in accordance with the Authority's policy

Thereupon, upon motion made by Mr. Shane and seconded by Ms. Scholer, it was unanimously:

RESOLVED, that the amendments to the investment policy portion of the Policy Document before this meeting are hereby approved.

A copy of the amended Investment Policy is attached hereto as Exhibit D.

The Executive Director continued his report by introducing from BioCrossroads Mr. David Johnson, President and CEO, and Mr. Brian Stemme, Project Director, for a presentation on the proposed investment in Indiana Seed Fund I, LLC.

Mr. Johnson began the proposal with a PowerPoint presentation illustrating the scope and goals of BioCrossroads. The Indiana Seed Fund I was launched in 2005 with the intent to help move life science business ideas out of the planning stage and into an actual business form and plan headed into a defined marketplace. He explained that it is the goal of the fund to allow Indiana-born ideas to be able to be formed and realized within the state, as well as to keep that industry within the state in the future.

Mr. Stemme continued the presentation with a description of the application process. After the initial application is received, it is reviewed by the management team. If deemed acceptable, it then is presented for review by the investment committee. The next step would be a conduct of due diligence, and another review by the investment committee, who would then set the terms and define the milestones. These terms and milestones are then reexamined by the investment committee, who make the final decision whether to invest or not.

Mr. Johnson finished the presentation by telling the Members that since the initial application deadline of August 31, 2005, 16 applications have been received. Of those 16 applications, one investment is in process, one in active diligence, and three are in continuing diligence. The next solicitation deadline is February 28, 2006. Mr. Lister questioned how often the investment committee met, to which Mr. Johnson replied that schedule willing, the committee tries to meet every two to three weeks.

Discussion then followed centered on the advisability of investing in the Seed Fund. Mr. Rhodes stated that he had recently seen an article in the *Wall Street Journal* which was critical of seed funds in general. Ms. Scholer and Mr. Lister commented that the process in place to decide who might receive funds and the expertise of the people on the investment committee should help reduce some of the risk inherent in seed funds.

Mr. Lister reintroduced a question asked at the November Authority meeting: would the Authority's surplus funds be put to better use by being given back to the State to be applied to the deficit? Mr. Kramer responded that Mr. Kitchell had spoken with officials in the Office of Management and Budget and the response was an endorsement of a \$2 million investment in the Seed Fund. The possibility of Authority funds reverting back to the State in the future still remains. Ms. Scholer suggested that if funds are given to the State to be applied to the deficit or for any other reason, a mechanism be in place which would allow the Authority to reclaim those funds.

Thereupon, upon motion to by Mr. Lister and seconded by Ms. Scholer, it was unanimously:

RESOLVED, The Authority hereby approves the transfer of \$2 million (\$2,000,000) to the Seed Fund and authorizes the Vice Chair or Executive Director to finalize and execute any documentation required for the transfer of the Funds to the Seed Fund.

Mr. Shane abstained from voting.

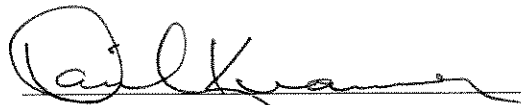
A copy of the resolution is attached hereto as Exhibit E.

Mr. Shane then reported that both Ms. Borrer and Mr. Lister wish to be considered to fill the seat on the Seed Fund investment committee and asked the Members if anyone else was interested. There being no other candidates, Mr. Shane stated he would inform Mr. Kitchell that he would need to determine who would fill the seat.

The Executive Director concluded his report.

There being no further business, the meeting was adjourned.

Respectfully submitted,


Executive Director